

Amendments to the Claims:

1. – 13. **(Canceled)**

14. **(Currently Amended)** A method of processing a transaction, initiated by a cardholder using a hybrid credit card, as either one of a group of virtual standard transactions routed through a clearinghouse or as one of a group of virtual closed loop transactions bypassing the clearinghouse, said method of processing a transaction comprising:

identifying the hybrid credit card by using program logic residing on [[at]] a point-of-sale terminal of a **logic-enabled** merchant and labeling the transaction using the hybrid credit card as being one of the virtual closed loop transactions;

acquiring and directing the virtual standard transactions to the clearinghouse and acquiring and directing the virtual closed loop transactions so as to bypass the clearinghouse using an affiliated acquiring entity; and

accepting the virtual standard transactions from the clearinghouse and debiting a credit card account and accepting the virtual closed loop transactions and debiting a private label account using an affiliated card issuing entity;

wherein the affiliated acquiring entity and affiliated card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse.

15. **(Original)** The method of processing a transaction of claim 14, further comprising the step of issuing the hybrid credit card to the cardholder before use in the transaction.

16. **(Original)** The method of processing a transaction of claim 14, further comprising the step of returning an incentive to the cardholder for conducting virtual closed loop transactions with the hybrid credit card.

17. **(Original)** The method of processing a transaction of claim 14, further comprising the step of returning an incentive to the merchant for conducting virtual closed loop transactions with the hybrid credit card.

18. **(Currently Amended)** The method of processing a transaction of claim 14, wherein said identifying the hybrid credit card step includes identifying, using the program logic residing on the point-of-sale terminal, a card identifier having a first string indicating the virtual closed loop transactions and a second string indicating the virtual standard transactions using the program logic.

19. **(Original)** The method of processing a transaction of claim 18, wherein said identifying the hybrid credit card step includes identifying the first string having a merchant category code modified to indicate the virtual closed loop transactions.

20. **(Currently Amended)** The method of processing a transaction of claim 14, further comprising the step of enrolling the merchant logic-enabled-merchants into a group of affiliated merchants participating in sales on an internet site.

21. **(Original)** The method of processing a transaction of claim 20, wherein the step of enrolling includes enrolling cardholders that are small businesses to participate in business-to-business transactions with the affiliated merchants.

22. **(Original)** The method of processing a transaction of claim 14, wherein in the step of accepting the virtual standard transactions includes debiting a revolving credit line.

23. **(Original)** The method of processing a transaction of claim 14, wherein the step of accepting the virtual closed loop transactions includes debiting an unsecured credit line that must be periodically paid in full.

24. **(Original)** The method of processing a transaction of claim 14, further comprising the step of issuing separate periodic statements of transaction activity on the private label line of credit to the cardholder.

25. **(Currently Amended)** The method of processing a transaction of claim 14, further comprising the step of defining a fee structure for crediting and debiting fees resulting from the virtual closed loop transaction and agreed upon by the **logic-enabled** merchant, the affiliated acquiring entity and the affiliated card issuing entity.

26. – 29. **(Canceled)**